

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on March 19, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: None.

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 73, 3/14/2001
Executive Action: HB 555, HB 633, HB 561

EXECUTIVE ACTION ON HB 555

Motion: REP. JOHN ESP moved HB 555 BE AMENDED. Amendments were handed out, HB055502.ajm **EXHIBIT**(tah62a01).

Discussion:

Jeff Martin, Legislative Service, explained the amendment. He clarified the language taken out.

Vote: Motion to amend carried unanimously.

Motion: REP. BALYEAT moved HB05501.AJM BE AMENDED. Amendments were handed out **EXHIBIT**(tah62a02).

Discussion:

REP. JOE BALYEAT explained these amendments. He said it fixes the fiscal note.

Vote: Motion to amend carried 11-8 with REP. ERICKSON, REP. BRANAE, REP. CARNEY, REP. FORRESTER, REP. LASLOVICH, REP. SCHMIDT, REP. WADDILL and REP. WANZENRIED voting no.

Motion: REP. WADDILL moved HB055503.AJM BE AMENDED. Amendments were handed out **EXHIBIT**(tah62a03).

Discussion:

Jeff Martin explained the tax liability carry forward to be used. He said there would be a benefit of credit to low income people.

REP. GARY FORRESTER felt the carry over would be a good benefit.

REP. BALYEAT said there were numerous revisions in tax law of carry forward.

REP. JOAN ANDERSON wondered how this would work to carry over a credit. **REP. BALYEAT** explained how it would work listing the credits.

REP. ANDERSON asked if the same wages were carried over. **REP. BALYEAT** answered yes. He said it is easy to figure out the fiscal note.

Vote: Motion to amend failed 7-12 with REP. ERICKSON, REP. CARNEY, REP. CYR, REP. FORRESTER, REP. SCHMIDT, REP. WADDILL and REP. WANZENRIED voting aye.

Motion: REP. BALYEAT moved HB 555 DO PASS AS AMENDED.

Discussion:

REP. BALYEAT said the provider is the same as the home school provider. He explained the tax credits and how they could be in danger of indirect support.

REP. ESP asked if home schooling providers would be penalized for paying state and property taxes for education. REP. BALYEAT didn't think they would be double paying.

REP. ESP asked if they were paying state income tax towards education and the general fund. REP. BALYEAT said the funds come from property tax of the state percentage.

CHAIRMAN BOB STORY mentioned the percentage in property tax.

REP. FORRESTER asked about home schooling and the tax credit involved. REP. BALYEAT said if it was set up as tuition.

REP. EILEEN CARNEY explained schooling she had been in and opposed this legislation. She resented the implication of having good public education from competition of other schools.

{Tape 1; Side B}

REP. ANDERSON didn't agree with the teacher excellence award.

REP. GARY BRANAE said within a larger district there may be a teacher with a bigger class. He didn't agree with the excellence award program either.

REP. BALYEAT explained having another method of voting for these teachers. He would like to see some competition from other schools to find quality teachers.

Vote: Motion failed 6-14 with REP. BALES, REP. BALYEAT, REP. DALE, REP. ESP. REP. FUCHS and REP. JACKSON voting aye.

Motion/Vote: REP. WANZENRIED moved HB 555 BE TABLED. Motion carried unanimously by reversing above vote 14-6.

{Tape 2; Side A}

HEARING ON SB 73

Sponsor: SEN. BILL GLASER, SD 8, HUNTLEY

Proponents: None

Opponents: None

Informational Witness: Jim Standard

Opening Statement by Sponsor:

SEN. BILL GLASER, SD 8, HUNTLEY, explained the bill and the committee that was involved with the legislation. He said the fiscal note was helpful in explaining the bill. He addressed the distribution of funds and stated this bill was a simplification bill. He said there needed to be coordinating costs between this bill and HB 124.

Proponents' Testimony: None

Opponents' Testimony: None

Informational Witness:

Jim Standard handed out information on revise distribution of vehicle fees **EXHIBIT(tah62a04)**. He also handed out current law information **EXHIBIT(tah62a05)**. He reviewed the handouts with the committee and explained the distribution of funds. He mentioned how the funding is spread across the current vehicles.

Questions from Committee Members and Responses:

REP. ROGER SOMERVILLE asked why 12.1 and not just 12. **Jim Standard** said the 12.1 assists with the study and the numbers were based upon the 2000 numbers from the Department of Revenue research.

REP. SOMERVILLE asked about the tax pertaining to the size of vehicle. **Jim Standard** explained the distribution and said this had not been changed within the process.

REP. SOMERVILLE asked how the extra money from the taxes would be distributed. **Jim Standard** thought it would be distributed into the highway government funds.

REP. BALYEAT asked what change in the bill would change the fiscal note from \$300,000 tax to a \$3 million tax. **Jim Standard** had no answer for this question. **SEN. GLASER** explained the first fiscal note and how it didn't represent the bill. He said the reason was to work with the bill. **Jeff Martin** added the only change was to the aircraft language and distribution.

REP. BALLYEAT asked if the \$3 million was included in the budget. **Jeff Martin** explained this was new money pertaining to HB 124.

REP. RON ERICKSON referred to the money and asked about the concerns of doing small cuts for the levy. **SEN. GLASER** said the fact was to make sure the university system received the revenue. He was concerned about reducing revenue within local government.

REP. ERICKSON asked which simplification bill was most desired. **SEN. GLASER** explained HB 124 in its current state and stated if it did not pass they would need to simplify the distribution of taxes.

REP. VERDELL JACKSON asked if this was local or state government. **SEN. GLASER** understood the money was coming from the state and going into local government.

REP. JACKSON wondered if HB 124 had the same philosophy in it as this bill. **SEN. GLASER** said it has the opposite philosophy. He stated this revenue is for local government.

REP. KEITH BALES asked about the highway account. **SEN. GLASER** said it is a special revenue account being used to match money against the federal money.

REP. BALES asked if in the biennium money would be lost from the counties and general fund. **SEN. GLASER** said the highway department should be looked at first before the bill passes.

CHAIRMAN STORY asked if the subcommittee wanted to add some of the money back into the highway special revenue. **SEN. GLASER** said the intent was to provide before the referendum passed. He said if any money was left over it would go to the highway account.

CHAIRMAN STORY asked if there was a reason the Senate didn't make adjustments to get the district revenue back down. **SEN. GLASER** explained the problem in the Senate with this bill and how it was to be coordinated with HB 124.

{Tape 2; Side B}

CHAIRMAN STORY asked if the percentage on the bill would offer an excess of \$1 million a year. **Jim Standard** said the district court would have a full year basis in this case. He said they use more money including from the general fund.

CHAIRMAN STORY asked if a chart could be made to review. **Jim Standard** answered yes, he would get a chart to the committee.

REP. FORRESTER asked about the status sheet. **SEN. GLASER** said it would show up as an item under the fiscal area.

REP. FORRESTER asked if there was an amount of time needed to get this in. **SEN. GLASER** explained what was needed for this legislation.

Closing by Sponsor:

SEN. BILL GLASER, SD 8, HUNTLEY, summarized the bill and he emphasized the distribution of funds. He explained HB 124 and its passing for this legislation to coordinate with it.

EXECUTIVE ACTION ON HB 633

Motion: **REP. FORRESTER** moved HB 633 DO PASS.

Discussion:

REP. FORRESTER explained the removal of the trigger and how this bill provides for reimbursements.

CHAIRMAN STORY mentioned how much the reimbursements distribute and where. He explained how much total tax is collected.

REP. ERICKSON referred to the tables and mentioned the business tax. He didn't think they needed a trigger that would deal with a limited part of the income tax.

Vote: Motion carried 12-8 with **REP. ERICKSON, REP. BALLYEAT, REP. CYR, REP. DALE, REP. ESP, REP. JACKSON, REP. WANZENRIED** and **CHAIRMAN STORY** voting no.

EXECUTIVE ACTION ON HB 561

Motion: **REP. SCHMIDT** moved HB 561 DO PASS.

Motion: **REP. WANZENRIED** moved HB 561 BE AMENDED. Amendments were handed out **EXHIBIT**(tah62a06).

Discussion:

Jeff Martin explained the amendments handed out and gave clarifications towards the bill.

REP. TRUDI SCHMIDT offered background of the bill and refreshed the committee's memory of the hearing.

{Tape 3; Side A}

CHAIRMAN STORY wondered about the reimbursements to local government. **Jeff Martin** didn't have information on reimbursements and what was actually collected.

CHAIRMAN STORY asked about the costs for reimbursements. **Jeff Martin** believed during fiscal year of 2002 there would be \$500,000. He explained the increase in state costs.

REP. DAVE WANZENRIED wondered about the 90%. **REP. ERICKSON** said the 90% was from taxpayers.

REP. KARL WAITSCHIES asked about the number of taxpayers. **CHAIRMAN STORY** mentioned the number of taxpayers and how much is paid within the state.

REP. ESP thought this legislation was not responsible. He felt they need to research ways to cut taxes.

Vote: Motion to amend carried unanimously.

Discussion:

REP. BALYEAT felt there were problems with the bill and mentioned the advantages of property taxes.

REP. WANZENRIED wondered about the cost. **REP. BALES** opposed this legislation due to the costs.

REP. WAITSCHIES didn't think the background of this bill was fair with properties.

CHAIRMAN STORY addressed how this bill was structured and felt the costs wouldn't assist the property tax.

Substitute Motion/Vote: REP. ESP made a substitute motion HB 561 BE TABLED. Motion carried 16-4 with REP. FORRESTER, REP. LASLOVICH, REP. SCHMIDT and REP. WANZENRIED voting no.

EXECUTIVE ACTION ON HB 633

Motion/Vote: REP. BALES moved TO RECONSIDER HB 633. Motion carried 13-7 with REP. SOMERVILLE, REP. BRANAE, REP. FORRESTER, REP. FUCHS, REP. LASLOVICH, REP. WADDILL and REP. WANZENRIED voting no.

Motion: REP. FORRESTER moved HB 633 DO PASS upon reconsideration.

Discussion:

REP. BALES mentioned the money unavailable currently for the trigger.

REP. BALYEAT referred to the fiscal note and wondered about the \$30 million per year.

REP. JESSE LASLOVICH asked if this bill mandates to fix and reimburse SB 200 or only for local governments. REP. FORRESTER said this bill would take into consideration the cut and doesn't offer the reimbursement.

REP. BALYEAT was unclear to the reimbursement. CHAIRMAN STORY said SB 200 didn't have any reimbursement language. He said SB 184 was a reimbursement for the biennium ending. He explained the budget office interpretation of the costs.

REP. WANZENRIED made clear of the bills providing reimbursement to local governments. He said it reduces the tax rate and the language offers reimbursements regarding the trigger.

REP. FORRESTER explained the stopping of reimbursement at the state level.

REP. BALES agreed the counties were being cheated. He would like to see the counties be remained within the law.

REP. ERICKSON added he disagreed in terms of this bill being another mechanism to use.

REP. SOMERVILLE mentioned the growth within the counties and where the impact would be.

Vote: Motion failed 9-11 with REP. SOMERVILLE, REP. BRANAE, REP. CARNEY, REP. FORRESTER, REP. FUCHS, REP. LASLOVICH, REP. SCHMIDT, REP. WADDILL and REP. WAITSCHIES voting aye.

{Tape 3; Side A}

Motion/Vote: REP. ESP moved HB 633 BE TABLED. Motion carried by reversing above vote 11-9.

ADJOURNMENT

Adjournment: 11:07 A.M.

REP. BOB STORY, Chairman

CECILE M. TROPILA, Transcriptionist

BS/RV/CT

EXHIBIT (tah62aad)